GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3221
ANSWERED ON:22.03.2002
SEBI ACTION AGAINST COMPANIES
RAMJI MANJHI

Will the Minister of FINANCE be pleased to state:

to the reply given to Unstarred Question No. 3822 dated August 17, 2001 regarding Action against companies by SEBI and state:

(a) whether the information has since been collected;

(b) if so, the details thereof; and

(c) the action taken by the Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a): Information on Lok Sabha Unstarred Question No. 3822 dated August 17, 2001 has since been collected.

(b): The Securities and Exchange Board of India (SEBI) has intimated that it enquired into/investigated allegations of irregularities in public issue, price manipulation etc. of companies listed on stock exchanges. Further, it had also come to the notice of SEBI that certain companies were not complying with the requirements of the listing agreement and some companies were also not available at their registered office after making public issues. The process relating to identifying a company as vanishing company was initiated in two phases. In first phase, during 1997-98, SEBI initiated steps, on its own, to verify the listingcompliance and physical existence of the companies with a view to identifying the vanishing companies. In the second phase on 12/3/99, a Central Co-ordination & Monitoring Committee comprising SEBI and Department of Company Affairs (DCA) was constituted, 7 Task forces comprising SEBI, Register of Companies (ROC), Stock exchanges were also constituted for identifying the vanishing Companies.

In the last three years, i.e., from April, 1998 to March, 2001, 179 cases of listed companies, were taken up for investigation for alleged irregularities in public issue/price manipulation etc. and 163 cases were completed.

Details of listed companies against whom action has been taken pursuant to investigations by SEBI during thelast three years is as follows:
i) In the following seven cases directions were issued to issuers to refund amount collected under the public issue or give an option to the allottees/shareholders to sell the shares to promoters at issue price: G.S. Organics Ltd, Yogiware Fabrics Ltd, Hindustan Finstock Ltd, Betala Global Securities Ltd, M/s. Ideal Hotels & Industries Ltd, United General Finance Industries Ltd and Vertex Machinery Ltd.

ii) Directions were passed against the companies u/s 11B of SEBI Act, 1992 debarring them from accessing the capitalmarket and/or dealing in securities for varying periods in the following cases:-
M/s. Presto Finance Ltd, Gujarat Rodrel Ltd, Mithila Steel Ltd, Radhika Spinning Mills Ltd, Yogi Pharmacy Ltd, M/s. Loggan Finance & Trading Ltd and Tirupati Finlease Ltd.

iii) Prosecutions have been launched against 53 companies/its directors in the Court of law out of which 52 cases are still pending in various courts.

As regards vanishing companies, after taking the compliance report and physical verification at the registered office address of companies, as of 30/6/2001, 177 companies have been identified as vanishing companies. Out of these 177 companies, 91 companies have responded to the Show Cause Notices and further action has been initiated against the companies for not complying with various listing requirements, 86 companies have been debarred from associating with the capital market activities for a period of five years. Out of 91 companies, name of one company has been removed from the list of vanishing companies as the company has started complying with various legal provisions. 5 companies are under liquidation. The action taken by DCA as reported to SEBI by DCA is as under:-

Prosecuted companies	-	66
Under Liquidation	-	26
Seized by State Govt.	-	2
Action being taken	-	16
Reports awaited	-	4

(c): SEBI and Department of Company Affairs have taken action, as stated in part (b) above, against defaulting companies.